

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 INRE-00 SSO-00 /063 W
-----061755 101724Z /53
O R 101617Z MAY 78
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC IMMEDIATE 7909
INFO USDOC WASHDC

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DEPT PLEASE PASS TO EXIMBANK FOR SIMONINI

E.O. 11652: N/A
TAGS: BPRO, EFIN, CO
SUBJ: BUSINESS PROPOSALS (BID): GENERAL ELECTRIC CATERPILLAR
REQUEST FOR EX-IM FINANCING FOR SALE OF CONSTRUCTION EQUIPMENT

REF: A. BOGOTA 2360; B. STATE 084948

1. PRESS REPORTS THAT MINISTRY OF PUBLIC WORKS TENDER FOR
\$25 MILLION OF CONSTRUCTION EQUIPMENT HAS BEEN RE-OPENED.
BID DOCUMENTS NOT AVAILABLE UNTIL MAY 12 BUT EMBASSY UNDER-
STANDS THAT CRITICAL TERMS OF 6 PCT MAXIMUM INTEREST RATE
AND 10-YEAR MINIMUM REPAYMENT PERIOD REMAIN UNCHANGED FROM
ORIGINAL TENDER.

2. GENERAL ELECTRIC/CATERPILLAR REPRESENTATIVES IN BOGOTA
VISITED COMMERCIAL ATTACHE TO ALERT EMBASSY OF CATERPILLAR
INTEREST AND TO DISCUSS EX-IM FINANCING OR GUARANTEE FOR
CATERPILLAR BID. GE/CAT REP REPORTS THAT SEVERAL US AND
FOREIGN FIRMS, INCLUDING CAT, BID ON FIRST TENDER. ALL AP-
PARENTLY WERE ABLE TO MEET TENDER FINANCIAL CONDITIONS,
AT LEAST ON PAPER. JI CASE REPORTEDLY BID BRAZILIAN-BUILT
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EQUIPMENT WITH 6 PCT, 10-YEAR TERMS FROM CASAX. SEVERAL
FIRMS WERE READY TO SELF-FINANCE DIFFERENCE BETWEEN 6 PCT
OFFER AND ACTUAL COST OF MONEY.

3. CAT WILL BID ON \$13-15 MILLION WORTH OF EQUIPMENT SIMILAR
TO THAT OF PC 78-0-4141. ACCORDING CAT, BEST ALTERNATIVE
WOULD BE EX-IM FINANCING AT 6 PCT FOR 10 YEARS. HOWEVER,

GIVEN UNLIKLIHOOD OF THOSE TERMS, CAT BELIEVES THAT EX-IM 10 YEAR GUARANTEE TO COMMERCIAL BANKS WOULD ENABLE IT TO FIND ENOUGH BANK FINANCING TO COMPLEMENT SOME INTERNAL FINANCING. GUARANTEE FOR YEARS 9 THROUGH 10 ESPECIALLY IMPORTANT BECAUSE IT WOULD ALLOW CAT (US) TO DISCOUNT 20 PCT FROM SALE PRICE WHICH US FACTORY WILL GIVE TO CAT (COLOMBIA) IF TOTAL SALE IS COMMERCIALY FINANCED. SHOULD BANKS NOT FINANCE FULL TEN-YEAR PERIOD, CAT (US) WOULD PICK UP LAST TWO YEARS BUT CAT (COLOMBIA) WOULD NOT GET BENEFIT OF 20 PCT DISCOUNT. CAT HOPEFUL EX-IM GUARANTEE FEE WOULD BE IN 1.5 PCT RANGE.

4. CAT REP EMPHATICALLY POINTED OUT IMPORTANCE OF THIS TENDER. MINISTRY OF PUBLIC WORKS IS IN PROCESS OF COMPLETE RE-EQUIPMENT PLAN AND THIS IS FIRST OF THREE TENDERS OVER NEXT TWO-THREE YEARS. IBRD, WHICH IS FINANCING PART OF RE-EQUIPMENT PROGRAM, IS DEMANDING THAT GOC STANDARDIZE ITS EQUIPMENT. THUS, THIS FIRST BID EXTREMELY IMPORTANT. CAT ESTIMATES THAT \$13 MILLION EQUIPMENT SALE WOULD MEAN ANOTHER \$13 MILLION IN PARTS OVER NEXT TEN YEARS GIVEN HIGH NEED FOR REPLACEMENTS IN MINISTRY EQUIPMENT. IN ADDITION, LOSS OF THIS BID WOULD SERIOUSLY CUT INTO CAT'S NOW PREDOMINANT SHARE OF MARKET.

5. CAT REP IN BOGOTA, ROBERT JEWELL, PLANNING TO BE IN US DURING WEEK OF MAY 15 AND WOULD LIKE TO MEET WITH SIMONINI LIMITED OFFICIAL USE

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AND OTHER APPROPRIATE OFFICIALS OF EX-IM. JEWELL WOULD BE ACCOMPANIED BY CAT WASHINGTON REP FANCHER AND POSSIBLY CAT VICE-PRESIDENT FROM PEORIA.

6. EMBASSY CONFIRMS IMPORTANCE OF THIS BID TO CONTINUED US SHARE OF MARKET AS OUTLINED IN PARA 4. ACCORDING TO PRELIMINARY USDOC FIGURES FOR 1977, US EXPORTS OF SCRAPERS, HAULERS, GRADERS, ETC. DECLINED FROM \$3.9 MILLION IN 1976 TO \$2.6 MILLION IN 1977. WHILE SALES OF LIFT TRUCKS WERE UP FROM \$.8 MILLION IN 1976 TO \$1.8 MILLION IN 1977, LATTER YEAR'S TOTAL WAS STILL BELOW \$2.1 MILLION IN 1975. WHEEL LOADER (1 1/2 TO 2 CUBIC YARD SIZE) SALES IN 1976 WERE \$1.2 MILLION AND \$.7 MILLION IN 1977. EXACT FIGURES ON SHARE OF MARKET FOR 1977 NOT YET AVAILABLE FROM GOC. VICE-MINISTER OF PUBLIC WORKS CONFIRMED TO COMMERCIAL ATTACHE DURING RECENT MEETING THAT THIS TENDER IS FIRST OF THREE AND THAT MINISTRY TRYING TO STANDARDIZE EQUIPMENT. THIS WILL BE MINISTRY'S LARGEST PURCHASE PROGRAM FOR NEXT 10-15 YEARS. AGGRESSIVE MARKETING ALREADY APPARENT BY SEVERAL COMPETITORS. EMBASSY CLASSIFIES THIS PROJECT AS A PRIORITY ONE FOR EX-IM FOR PRESENT AND FUTURE SALES OF THIS TYPE OF US EQUIPMENT IN COLOMBIA.

7. EMBASSY REQUESTS THAT EX-IM OFFICIALS MEET WITH CAT REPS
TO ATTEMPT FIND SATISFACTORY FINANCIAL PACKAGE. ASECIO

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Message Attributes

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